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Rep. Jeb Hensarling (R-TX), Chairman
Russ Vought, Executive Director

132 Cannon House Office Building
Washington, DC 20515



Ph (202) 226-9717 / fax (202) 226-1633

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CONTACT: Brad Dayspring
(202) 225-3484

Hensarling Statement on Mortgage Regulation Bill

WASHINGTON, D.C. – Congressman Jeb Hensarling (R-TX), a member of the House Financial Services Committee, today issued the following statement as the House considered H.R. 3915, the Reform and Anti-Predatory Lending Act of 2007:

“This is a bad bill for homeowners and will make a difficult situation even worse. Congress should not outlaw the ability for struggling families to achieve the American dream – and that is exactly what this bill does. This bill does nothing to help the people currently facing mortgage troubles; instead it restricts the ability for future buyers to receive home loans, causing greater harm to the housing market.

“Nobody denies that we face great challenges in our subprime market, and I don’t think anybody denies that these challenges have the potential to have a great disruption in our economy. It is extremely important that we have a vibrant secondary market to add liquidity to that market, so that people can realize the dream of owning their own home. That is the American dream.

“Unfortunately, this bill is only going to make matters worse for home buyers –particularly in the area of assignee liability. People who choose to invest in a home will face a large legal liability for someone else’s carelessness. The assignee liability provision in this bill could prove to be a trial lawyers dream and a homeowner’s nightmare. Why would anyone choose to invest in the secondary mortgage market and open themselves up to immediate lawsuit? At a time when we need far more liquidity in the market, this provision will lead to even less liquidity.

“It is important to remember that for all the subprime loans that have gone bad, millions and millions Americans have had an opportunity to own their first home because of the subprime market. In fact, eighty-five percent of these Americans are paying their subprime loans on time.

“Spencer Bachus, the Ranking Member of the Financial Services Committee, deserves credit for making some needed improvements to the bill. Moving forward, improved financial literacy, increased and simplified disclosure, mortgage fraud enforcement, and greater steps to weed out unscrupulous mortgage brokers are all necessary steps. As legislators, however, we must first do no harm to the free market and this bill encroaches upon that principle.”

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